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Ukraine

Oilseeds and Products

Rapeseed Production Surges

2007

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Report Highlights:

High prices for rapeseed, plus high demand from the European Union, prompted Ukrainian farmers to increase the sown area for rapeseed. This trend has been evident for several years now. The current crop (MY 2006/2007) is expected to double that of last year. The government of Ukraine (GOU) has great interest in global production of biofuels and has passed a decree to support rapeseed production in Ukraine.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Kiev [UP1]
[UP]

Government policy

On December 22, 2006, the GOU adopted a program for biofuel production. The major objective of the new energy policy is energy independence. One of the main points of this new initiative is to support rapeseed production in Ukraine. The goal of the government is to increase the sown area of rapeseed until it reaches 10% of total area sown for all products. According to the plan, the increase in rapeseed production should reach 2 million tons in 2007 and reach 7.5 million tons in 2010.

GOU hopes that Ukrainian plants will process up to 75% of the rapeseed crop for biofuels. The program foresees construction of 20 plants for rapeseed crushing. Total crush capacity is expected to be a minimum of 623,000 tons per year. The GOU believes that investors will invest heavily into this sector, helping them achieve their goals.

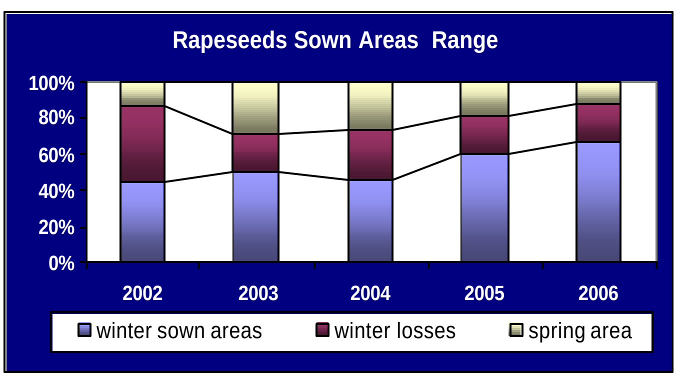
Production

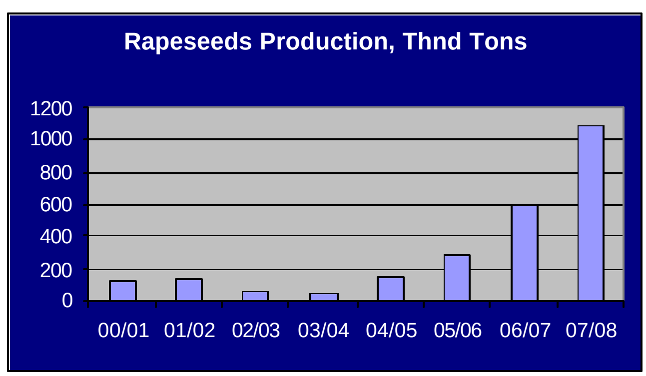
The trends of expanding the sown area for rapeseed and phenomenal growth in production (as witnessed during the past 4 years) should continue. The increase in sown area for rapeseed was as follows: 74% in 2003; 9% in 2004; 199% in 2005 and 71% in 2006. For 2006, Ukraine has sown 820,000 hectares for winter rapeseeds. The strong increase for rapeseeds sowing is supported by the following factors:

1) High profitability;
2) Stable and increasing prices since 2001;
3) High demand from both domestic and international markets

When considering future production, one most consider high winter losses due to low frost resistance of winter rapeseeds. Losses may average between 30-40% of all winter-sown areas, which are usually re-sown in spring. Please refer to the table below. The table depicts winter losses relative to the winter crop and spring area planted for rapeseed production. Despite high winter losses, the area under winter cultivation continues to increase due to the profitability of the crop. The second table shows the strong growth of rapeseed production over the past 4 years.

The state subsidy for rapeseed production is $20 per hectare for winter rapeseed and $13 for spring rapeseed.





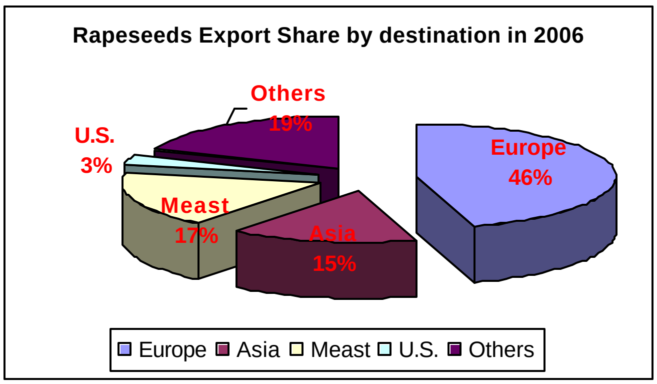
Source: Ukrainian Stats Committee

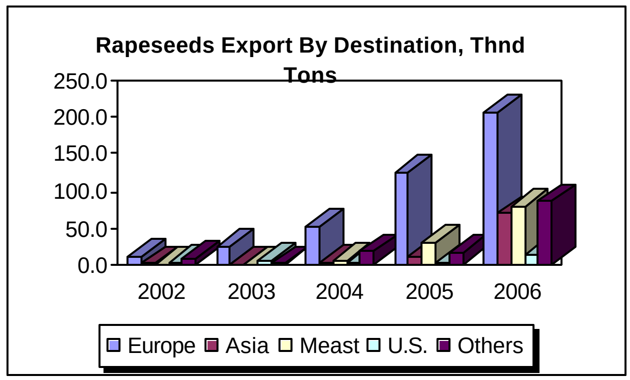
Export

Exports of rapeseed are increasing significantly as well, mirroring the growth in production. Major exports are destined for the European Union (in 2006, 46% of all rapeseed exports were sent to the EU). Rapeseed exports to the European Union increased by: 36% in 2003; 200% in 2004; 238% in 2005 and 166% in 2006. In 2006, 206,800 tons of rapeseed were exported to the European Union (July-Dec 2006). Please refer to the table below.

(thnd tons)

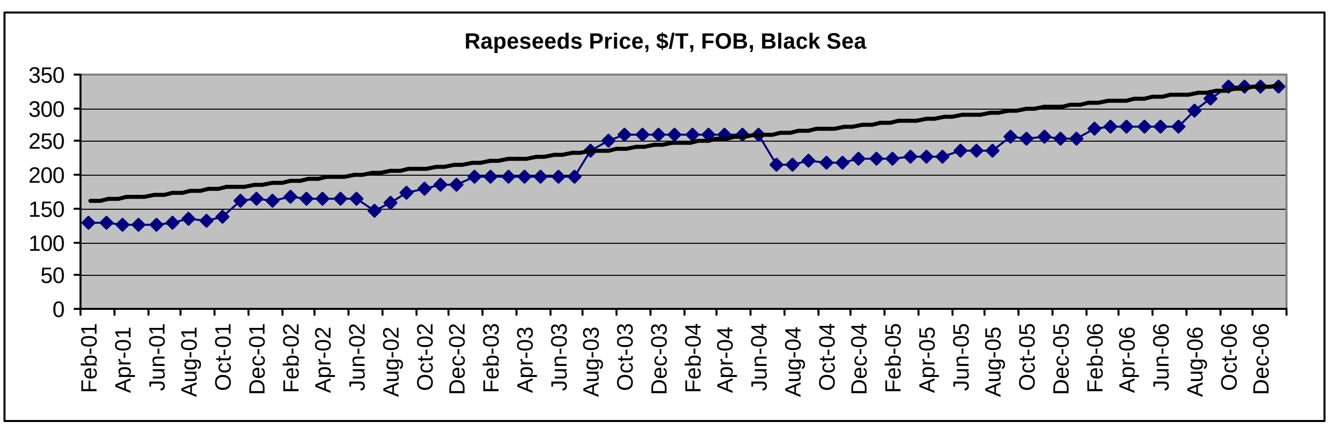
	2002	2003	2004	2005	2006
Europe	10.6	25.0	52.1	124.2	206.8
Asia	1.4	0.0	2.0	11.9	70.2
Meast	0.0	0.0	5.9	30.3	79.5
U.S.	2.4	6.0	2.8	2.9	13.9
Others	8.1	1.8	18.2	17.7	86.6





Prices

Farmers continue to increase the sown area for rapeseed, generally because of persistently strong prices. Prices are expected to remain high for Ukrainian rapeseed due to strong demand from exporters, the European Union (for the quickly expanding biofuels industry) and because domestic crushers continue to procure rapeseed to produce rapeseed oil.



Statistical Tables

Exports of Rapeseed by Destination (July-June)

Ukraine - Exports
1205 RAPE OR COLZA SEEDS
Quantity
thnd tons

	Jul 02-Jun 03	Jul 03-Jun 04	Jul 04-Jun 05	Jul 05-Jun 06	Jul-Dec 06
--The World--	**22.5**	**32.8**	**81.1**	**187.0**	**457.0**
Hungary	6.5	22.4	43.5	93.6	98.2
Turkey	0.0	0.0	2.9	30.3	73.3
Poland	0.2	0.1	1.8	21.8	69.3
India	1.4	0.0	1.0	10.9	63.3
Pakistan	0.0	0.0	0.5	10.5	53.2
Saint Vincent and the Gre-	0.0	0.0	0.0	6.9	23.1
Netherlands	1.2	1.0	1.0	4.8	14.6
United States	2.4	6.0	2.8	2.9	13.9
Austria	1.0	0.0	2.4	2.7	7.4
Bangladesh	0.0	0.0	0.9	1.0	6.9
France	0.0	0.0	0.0	0.9	6.1
Latvia	0.0	1.2	6.2	0.2	3.7
Germany	0.0	0.2	0.2	0.1	3.8
Switzerland	1.8	1.3	0.8	0.1	3.1
Bulgaria	0.0	0.1	0.0	0.1	2.5
Lebanon	0.0	0.0	0.0	0.0	2.2
Czech Republic -	0.0	0.0	2.2	0.0	2.0
Armenia	0.0	0.0	0.0	0.0	2.0
Belarus	0.0	0.0	0.0	0.0	1.3
Israel	0.0	0.0	3.0	0.0	2.9
Moldova	0.0	0.0	0.0	0.0	0.6
Lithuania	5.8	0.5	6.6	0.0	0.5
Panama	0.0	0.0	0.0	0.0	3.2
Spain	0.0	0.0	0.1	0.0	0.0
Estonia	1.8	0.0	4.8	0.0	0.0

Source: Ukrainian Stats Committee